



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 2048 (1956)

February 1, 1990

SUBJECT: Debt Settlement of Economic Opportunity Cooperative Loans, Claims Against Third Party Converters and Settlement of Nonprogram Loans, Timber Development Loans, Rural Development Loan Fund Loans, Intermediary Relending Program Loans, Nonprofit National Corporations Loan and Grant Program, and 601 Energy Impact Assistance Grants, Claims Against Third Party Converters and Settlement on Nonprograms as Discussed in this AN are not Applicable to Farmer Programs Loans

TO: State Directors

ATTN: Business and Industry Chiefs, Community and Business Programs Chiefs, and Community Programs Chiefs

Purpose/Intended Outcome:

This AN will provide guidance on how to debt settle the subject accounts and claims. Settlement of these loans and claims falls under the Federal Claims Collection Act. The U.S. Department of Justice (DOJ) and the General Accounting Office are charged with the responsibility for implementing the Federal Claims Collection Act and have promulgated the Federal Claims Collection Act Joint Standards (4 CFR Parts 101-105) to inform Government Agencies on how to settle debts and claims which the Agency does not have independent statutory authority to settle. With the exception of loans and claims with outstanding balances of \$20,000 or less, exclusive of interest, penalties, and administrative costs, settlements must be submitted to and approved by the United States Attorney or the DOJ.

Comparison With Previous AN:

This AN gives guidance on the debt settlement of loans specifically listed in the subject. This AN replaces FmHA AN No. 1846 which expires January 31, 1990. A copy of the Federal Claims Collection Act Joint Standards and supporting documents are attached for your information.

Implementation Responsibilities:

Debt settlement of the subject loans and claims falls in the following categories:

1. Loans and claims of \$20,000 or less.

Settlement of loans and claims may be approved by the Administrator

EXPIRATION DATE: January 31, 1991

FILING INSTRUCTION: Preceding  
FmHA Instruction 1956-C



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Complaints of discrimination should be sent to:  
Secretary of Agriculture, Washington, D.C. 20250

when the outstanding balance of the indebtedness involved in the settlement is \$20,000 or less, exclusive of interest, penalties, and administrative costs. These loans and claims will be submitted to the National Office on Form FmHA 1956-1, "Application for Settlement of Indebtedness," for debt settlement. Subsequent to approval, Form FmHA 1956-1 will be distributed in accordance with the Forms Manual Insert (FMI).

2. Loans and claims of \$200,000 or less but more than \$20,000.

Loans and claims with an outstanding balance of \$200,000 or less inclusive of interest, penalties, and administrative costs, but with an outstanding balance greater than \$20,000, exclusive of interest, penalties, and administrative costs, after approval by the State Director will be referred to your Regional Office of the General Counsel (OGC) for referral to the United States Attorney in whose judicial district the debtor can be found. The form to be used is the Claims Collection Litigation Report (CCLR). This form should be available through the U.S. Attorney. A memorandum from the State Director should be attached to the CCLR recommending acceptance of the debt settlement. If the State Director after reviewing the CCLR does not recommend acceptance, the State Director has the authority to reject the debt settlement.

3. Loans and claims over \$200,000.

Loans and claims with an outstanding balance over \$200,000, inclusive of interest, penalties, and administrative costs, will be referred to the Administrator and will include the following:

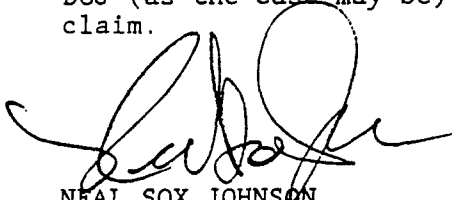
1. The case file(s).
2. A completed CCLR.
3. Copies of the notes, security agreements, and mortgages.
4. A current appraisal of any security owned by the borrower.
5. A narrative which will include:
  - a. Recommendation for the acceptance of the debt settlement.
  - b. Why the borrower failed.
  - c. Steps taken to collect the loan(s).
  - d. An analysis of the debtor's future repayment ability.
  - e. Why acceptance of the debt settlement offer is in the best interest of the Government.

If the Administrator concurs with the recommendation for the debt settlement, it will be referred to the FmHA National Office OGC for referral to the Commercial Litigation Branch, Civil Division, U.S. Department of Justice, Washington, D.C. 20530.

4. Loans and claims in combination with certain other loans.

When a debtor has a Community Programs or Business and Industry loan(s) as defined in FmHA Instruction 1956-C, these loan(s) will be debt settled prior to the submission for debt settlement of the subject loans or claims. In such cases, the subject loans and claims should be listed on Form FmHA 1956-1, "Application for Settlement of Indebtedness," as other debts owed FmHA under Part II(B). Normally, all the security for the subject loans and claims should be disposed of prior to the submission for debt settlement.

It is not necessary to obtain approval of the United States Attorney or the DOJ (as the case may be) in cases where FmHA decides not to settle a loan or claim.



NEAL SOX JOHNSON  
Acting Administrator

Attachment